



CALIFORNIA 2016
BALLOT BACKGROUNDER

Proposition **52**

Hospital Fee Program

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Purpose

Proposition 52 would lock in the state’s current hospital fee program, which helps California secure federal Medicaid funds.

Background

The federal Medicaid program helps states pay the health care costs of low-income patients. In California, this program is called Medi-Cal. Today, Medi-Cal provides coverage for approximately one-third of all Californians.¹

Under federal law, for a state to receive Medicaid funding, it must contribute matching funds. In 2009, the Legislature established a fee on private hospitals, called the “Hospital Quality Assurance Fee,” to help the state meet this requirement. Last year, private hospitals paid approximately \$4.6 billion in these fees. In return, California hospitals received approximately \$8.1 billion in combined state and federal payments and grants, yielding a net benefit of approximately \$3.5 billion.² Hospitals like this program because they receive a net financial benefit. This program enjoys bipartisan support, and the Legislature has renewed it several times. The California Hospitals Association has sponsored this initiative to make the program permanent.

¹ http://www.dhcs.ca.gov/dataandstats/statistics/Documents/Medi-Cal_Penetration_Brief_ADA.PDF. SB 239 is the most recent extension.

² <http://www.lao.ca.gov/ballot/2016/Prop52-110816.pdf>

Existing Law

Current law requires California's private hospitals to pay fees to help California obtain federal Medicaid funds. Hospitals then receive Medi-Cal grants and transfers that exceed the amount of the fees. The program currently helps bring more than \$3 billion in federal Medicaid money to California each year. This money is excluded from the Proposition 98 formula for calculating the annual minimal funding allocation to K-14 schools. The Legislature has extended the program several times since 2009. It is currently set to expire in 2018.³

Proposed New Law

Prop 52 would "lock in" the hospital fee program by eliminating the program's end date and requiring a vote of the people or a two-thirds vote of the Legislature to end or change the program. In addition, Prop. 52 would exclude any hospital fees raised through this program from the state's budget formula guaranteeing funds for public schools.

Fiscal Impact (as estimated by LAO)

The Legislative Analyst notes that the hospital fee program provides a net financial benefit to the state and that the Legislature could choose to extend the hospital fee program even if Prop. 52 fails. Accordingly, Prop. 52 would have a fiscal effect only if, in its absence, the Legislature decided not to renew the current hospital fee program, or if it changed the program's structure in a way that changed the General Fund savings and public hospital benefit.

Supporters

Prop. 52 is supported by a broad, bipartisan coalition that includes:

- California Hospitals Association
- California Democratic Party
- California Republican Party
- California Chamber of Commerce
- California Teachers Association
- Dozens of other business and labor organizations and elected officials

³ See <http://www.calhospital.org/hospital-fee-program>.

Arguments of Supporters

Supporters say Prop. 52 would secure a program that brings more than \$3 billion in available federal funds to California each year and would block attempts to divert the money to other uses. They point to the broad bipartisan support for this program.

Opponents

Opponents include:

- Service Employees International Union, United Health Care Workers West (SEIU-UHW)
- Californians for Hospital Accountability and Quality Care

Arguments of Opponents

Opponents say Prop. 52 does not provide adequate oversight or accountability for how the program's money is spent and would allow too much money to go to hospital CEOs and lobbyists.

Campaign Finance

The Yes-on-52 campaign has raised more than \$50 million for this effort, with most of the money coming from hospitals and hospital associations. The No-on-52 campaign has raised considerably less, with most of its contributions coming from the SEIU.

Conclusion

Voting Yes on Prop 52 would permanently extend the state's hospital fee program to obtain federal Medicaid matching funds, requiring a supermajority vote of the Legislature or a vote of the people to change or end the program.

Voting No on Prop 52 would not lock in the program in this way.

For more information on Proposition 52, visit:

www.roseinstitute.org

www.yesprop52.org

www.noon52.com